



February 14, 2020

Via Email and U.P.S. Overnight Delivery

Al Guido, President
Forty Niners Stadium Management Company LLC
4900 Marie P. De Bartolo Way
Santa Clara, California 95054
Email: al.guido@49ers.com

Re: **Notice of Termination of Management Agreement in its Entirety**

Dear Mr. Guido:

PLEASE TAKE NOTICE that Santa Clara Stadium Authority ("Stadium Authority") is hereby terminating, in its entirety, the March 28, 2012 Stadium Management Agreement, as amended (collectively, the "Management Agreement"), by and between Stadium Authority, Forty Niners Stadium Management Company LLC ("Stadium Manager"), and Forty Niners SC Stadium Company, LLC ("StadCo"). This Notice is in conjunction with, as well as independent to, Stadium Authority's September 17, 2019 Notice of Termination of Stadium Manager's non-NFL event operations and management. This Notice does not waive or release the prior September 17, 2019 notice, and all rights are reserved.

As background, in March 2018, Stadium Manager's counsel represented that Jim Mercurio is performing the procurement functions delegated to Stadium Manager. Recently, Stadium Authority learned that other Stadium Manager officers and employees are executing contracts for Stadium Authority's non-NFL events.

In December 2019, Stadium Manager's counsel provided to Stadium Authority a redacted copy of a September 1, 2018 Title Sponsorship Agreement with Redbox Automated Retail LLC. Despite that fact that this is a non-NFL event for which Stadium Authority is entitled to revenues and expenses, Stadium Manager redacted essential revenue information. When pressed, counsel for Stadium Manager and StadCo admitted that the redacted sponsorship fees were \$900,000 for the first year and \$927,000 for the second year. When questioned why Stadium Authority had received less than \$500,000 in sponsorship revenue each of those years, Stadium Manager's counsel explained that Stadium Manager had made the decision to transfer part of the revenue as a payment to StadCo for providing NFL signage under its Lease rights. After further questioning, Stadium Manager admitted that the amount of diverted funds to StadCo was not discussed with Redbox during negotiations and it is not documented in the 2018 Title Sponsorship Agreement.

Recently on February 10, 2020, Stadium Manager's counsel disclosed that Al Guido, President of Stadium Manager and also President of the San Francisco Forty Niners, recently resigned as a Board of Directors member of KORE Software Holdings, LLC ("KORE").

Stadium Authority funds were used in connection with KORE's services from 2014, and apparently, Mr. Guido had served on the Board of Directors since September 2018. This disclosure occurred years after Stadium Authority had advised Stadium Manager, its counsel and its officers of its conflict of interest obligations, and also demanded records to confirm compliance of those obligations.

This Termination is pursuant to Section 8.1.1 of the Management Agreement, and based on several independent grounds. First, Stadium Manager violated conflict of interest laws in relation to the September 1, 2018 Redbox Title Sponsorship Agreement. Stadium Manager, its officers, and employees negotiated and executed this contract on behalf of Stadium Authority and its non-NFL event. Stadium Manager's decision to divert Stadium Authority's revenue to StadCo – an entity in which Stadium Manager, its officers, and employees had or have a financial interest – was in violation of Section 1090.

Second, Stadium Manager committed fraud, and intentional and material misrepresentation. Stadium Manager has concealed facts and records relating to conflict of interest violations and self-dealing (for example, the 2018 Title Sponsorship Agreement and the February 10, 2020 disclosure of conflict of interest facts since 2018), and also concealed facts and records relating to prevailing wage records for contractors. This constitutes intentional omission of material facts that Stadium Manager had a duty to disclose. In addition, on March 6, 2018, Stadium Manager represented that Jim Mercurio performed the procurement functions. Based on information recently discovered, it is now known that other Stadium Manager officers and employees are executing contracts for Stadium Authority's non-NFL events. These individuals have not complied with this fundamental requirement of the Political Reform Act to publicly disclose their financial interests.

Third, Stadium Manager committed misappropriation and conversion of funds, when it diverted approximately \$800,000 of Stadium Authority revenue from the September 1, 2018 Redbox Title Sponsorship Agreement to StadCo. While the June 2013 Lease may allow for StadCo to have sponsorship and advertising rights, Stadium Manager must still comply with conflict of interest laws, and it cannot make a decision to divert Stadium Authority revenue when it has a financial interest in StadCo. Only an official without a financial interest in StadCo would be authorized to make such a decision.

Each of these acts and omissions are in violation of California law, Stadium Manager's fiduciary duties to Stadium Authority, Stadium Manager's legal obligations and contractual duties, and constitute willful misconduct because they were intentional acts and omissions with knowledge that would they lead to serious violations and monetary injury, or with a wanton and reckless disregard of its results.

MR. AL GUIDO, PRESIDENT
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For all these reasons, the Stadium Authority hereby terminates the Management Agreement in its entirety, without the written consent of StadCo, as expressly provided and allowed under Section 8.1.1 of the Management Agreement. Stadium Authority reserves all rights.

Sincerely,



Brian Doyle
Stadium Authority Counsel

cc: Forty Niners Stadium Management Legal Affairs
Jeffrey Knowles, Coblenz Patch & Duffy